



United States Telephone Association

1401 H Street, N.W., Suite 600
Washington, D.C. 20005-2136
(202) 326-7300
(202) 326-7333 FAX

DOCKET FILE COPY ORIGINAL

September 23, 1994

RECEIVED

SEP 23 1994

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street NW - Room 222
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: Ex Parte Meeting
CC Docket No. 94-1

Dear Mr. Caton:

On September 22, 1994, representatives of the United States Telephone Association (USTA) held a series of meetings with Commission staff to discuss the above referenced docket. Frank McKennedy, Ken Rust, David Hostetter, and Dennis Weller, on behalf of USTA, met with David Nall, Dan Grosh, Mark Uretsky, Joanne Wall, and Anthony Bush of the Common Carrier Bureau staff.

In addition, on September 22, 1994, Kathy Woods, Ken Rust, David Hostetter, and Dennis Weller, also on behalf of USTA, met with James Olson, George Ford, and Paul Gallant of the Competition Division.

The viewpoints expressed were consistent with USTA's written filings in this docket. The attached written material was distributed and discussed at both of these meetings. The original and a copy of this ex parte meeting notice are being filed in the Office of the Secretary on September 23, 1994, due to the lateness of the meetings. Please include them in the public record of this proceeding.

Respectfully submitted,

A handwritten signature in cursive script that reads "Linda Kent".

Linda Kent
Associate General Counsel

Attachment

cc: David Nall
Dan Grosh
Mark Uretsky

Joanne Wall
Anthony Bush
Jim Olson

George Ford
Paul Gallant

No. of Copies rec'd
List A B C D E

241

USTA's Proposal for Adaptive Regulation

RECEIVED

SEP 23 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

- ◆ **Minimize Rate Structure Codification**
- ◆ **Market Area Classification**
- ◆ **Proposed Price Cap Basket Structure and Price Management**
- ◆ **Contract-Based Tariffs**
- ◆ **Proposed Tariff Requirements**
- ◆ **Competitive Market Area Demonstration**

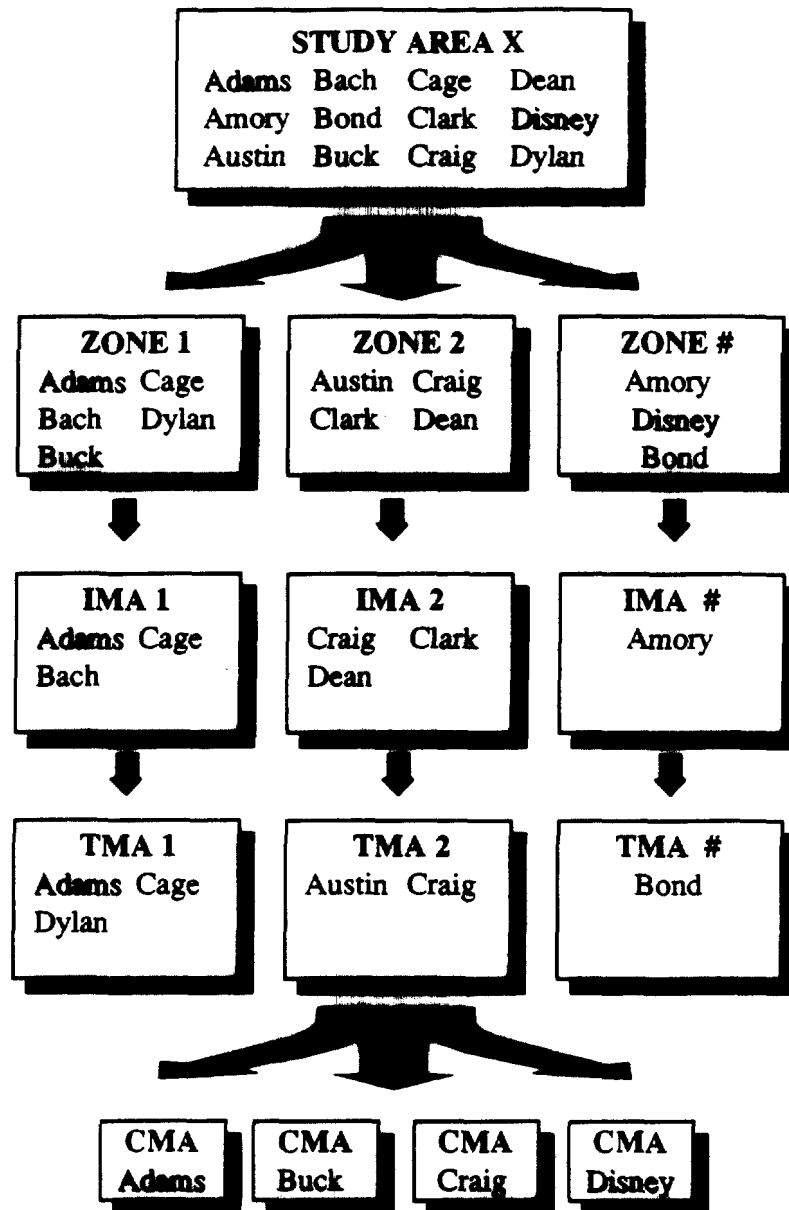
Minimize Rate Structure Codification

- ◆ **Only those access elements necessary to satisfy public policy obligations would be codified**
- ◆ **Price cap basket structure would be codified for price management purposes**
- ◆ **Price cap LECs would not be required to conduct extensive Part 69 cost allocations**
- ◆ **Facilitates the introduction of new services and technologies**
- ◆ **USTA's proposed structure will continue to satisfy the Commission's obligations**

Market Area Classification

- ◆ **Regulation should be tailored to the degree of competition within a market area**
- ◆ **USTA proposes a market area classification process to assess market area competitiveness**
- ◆ **Competition measured on a market area basis**
 - **Initial Market Areas (IMAs)**
 - **Transitional Market Areas (TMAs)**
 - **Competitive Market Areas (CMAs)**
- ◆ **IMA is simply a re-characterization of existing zone density pricing plan**
- ◆ **TMA and CMA classifications are optional and occur only after a sufficient showing of evolving or effective competition**

Market Area Classification (cont.)



Proposed Price Cap Basket Structure

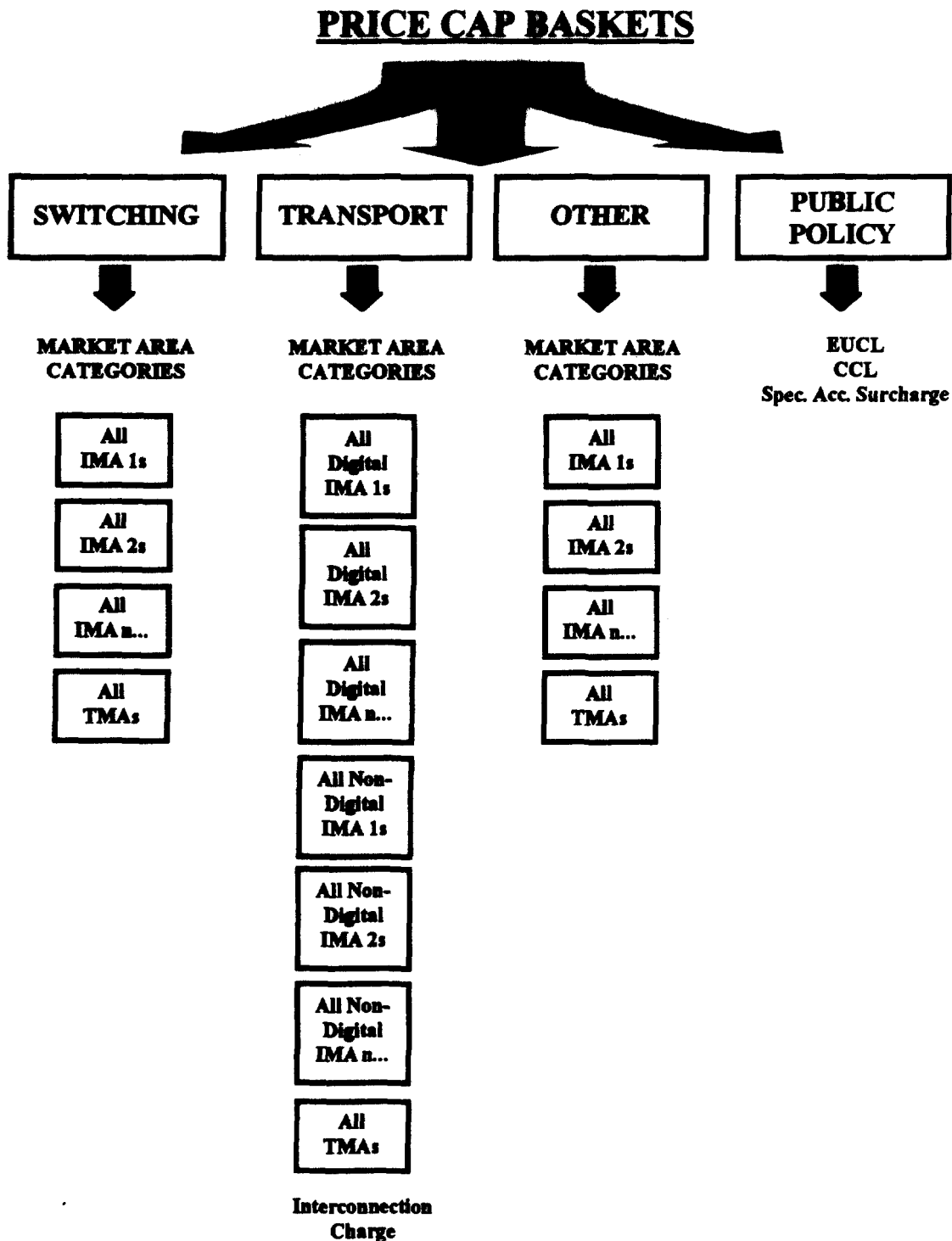
- ◆ **Establish separate baskets**
 - **Transport, Switching, Public Policy and Other**

- ◆ **Services within CMAs removed from price cap regulation**

- ◆ **Market Area Categories (MACs)**
 - **Within the Switching and Other baskets:**
 - » **MACs established for IMAs**
 - » **MAC established for the TMAs**

 - **Within the Transport basket:**
 - » **MACs established for Digital IMAs**
 - » **MACs established for Non-Digital IMAs**
 - » **MAC established for the TMAs**

Proposed Price Cap Basket Structure (cont.)



Price Management within the Proposed Price Cap Basket Structure

- ◆ **PCIs and APIs established for each basket**
- ◆ **A market area band index (MABI) will be established for each market area category**
- ◆ **Interconnection Charge (IC) is price managed within the Transport basket**
- ◆ **Public Policy basket indices used to price manage EUCL, CCL and Special Access Surcharge elements**
- ◆ **Other Public Policy elements individually price managed**

Contract-Based Tariffs

- ◆ **Contract-based tariffs in response to RFPs within TMAs**
- ◆ **Contract-based tariffs within CMAs**
- ◆ **Common carrier contract-based tariff services continue to be regulated as Title II communications services**

Proposed Notice Intervals

TYPE OF FILING	MARKET AREA CLASSIFICATION		
	IMA	TMA	CMA
Annual Tariff	90 days	90 days	N/A
Price Change - Within Band	14 days	14 days	N/A
Price Change - Above Band	120 days	120 days	N/A
Price Change - Below Band	45 days	45 days	N/A
Price Change - CMA	N/A	N/A	7 days
New Services	45 days	21 days	14 days
Restructure	21 days	21 days	14 days
Contract-Based Tariffs	N/A	21 days	14 days
Services Excluded From Price Cap Regulation	45 days	21 days	14 days
Market Area Classification	21 days	21 days	21 days
Other	21 days	21 days	14 days

Proposed Support Requirements for Price Cap LECs

Proposed Support Requirements for Price Cap LECs						
Type of Filing	Cost Support Requirements			Demand Support Requirements		
	IMA	TMA	CMA	IMA	TMA	CMA
In Band	None	None	N/A	Yes	Yes	N/A
Below Band	Yes	Yes	N/A	Yes	Yes	N/A
Annual	None	None	N/A	Yes	Yes	N/A
Restructure	None	None	N/A	Yes	Yes	N/A
New Services	Yes	Yes	None	Yes	Yes	None
Contract Services	N/A	Yes	None	N/A	Yes	None
Services Excluded From Price Caps	Yes	Yes	None	Yes	Yes	None

None: Indicates cost and/or demand support is not required for the particular type of filing within that market area.

N/A: Indicates the particular type of filing is not applicable for that market area.

Yes: Indicates varying degrees of cost and/or demand support is required for the particular type of filing within that market area.

**USTA PROPOSAL
COMPETITIVE DATA COLLECTION PROCESS
SERVING AREA MAPS**

- USTA PROPOSES THAT THE FCC REQUIRE ALL INTERSTATE COMMON CARRIERS TO PROVIDE SERVING AREA MAPS/ DESCRIPTIONS:
 - EACH INTERSTATE COMMON CARRIER SHOULD BE REQUIRED TO PROVIDE IN ITS INTERSTATE TARIFF:
 - THE GEOGRAPHIC AREA(S) IN WHICH ITS INTERSTATE SERVICES ARE AVAILABLE, AND
 - A LISTING OF WHICH SERVICES ARE AVAILABLE IN EACH SERVING AREA
 - IF SERVICE AREA MAPS ARE ON FILE WITH STATE COMMISSIONS AND ARE PUBLICLY DISCLOSED, MAPS NEED NOT BE FILED WITH THE FCC
 - FOR PURPOSES OF CMA EVALUATION, THE COMMISSION WILL PRESUME THE LEC'S COMPETITORS' SERVICES ARE AVAILABLE THROUGHOUT THEIR SERVICE AREAS

USTA PROPOSAL COMPETITIVE DATA COLLECTION PROCESS

SERVING AREA MAPS

- THE PROVISION OF SERVICE AREA DESCRIPTIONS/MAPS WILL NOT BE BURDENSOME FOR INTERSTATE COMMON CARRIERS:
 - LECS CURRENTLY PROVIDE SERVING AREA DESCRIPTIONS THROUGH THE FILING OF EXCHANGE BOUNDARY MAPS WITH STATE REGULATORS
 - LECS CURRENTLY DESCRIBE WHICH SERVICES ARE OFFERED IN EACH EXCHANGE AREA IN THE NECA 4 TARIFF
 - OTHER INTERSTATE CARRIERS CAN PROVIDE SERVICE AREA DESCRIPTIONS IN A NUMBER OF NON-BURDENSOME WAYS:
 - IN THEIR INTERSTATE TARIFFS, INCLUDE A LISTING OF SERVICES AVAILABLE BY:
 - SERVING AREA, OR
 - POSTAL ZIP CODE, OR
 - CITY OR COUNTY, OR
 - LEC WIRE CENTER, OR
 - REFERENCE SERVICE AREA MAPS FILED WITH THE INTERSTATE TARIFF, OR WITH STATE REGULATORY AGENCIES

**USTA PROPOSAL
COMPETITIVE DATA COLLECTION PROCESS
FACILITY MAPS**

- IN THE EVENT THE FCC DOES NOT REQUIRE INTERSTATE COMMON CARRIERS TO PROVIDE SERVING AREA MAPS, USTA PROPOSES THAT THE FCC REQUIRE ALL INTERSTATE COMMON CARRIERS TO FILE FACILITY MAPS:
 - SHOULD INCLUDE EXISTING FACILITIES AND FACILITIES TO BE CONSTRUCTED WITHIN ONE YEAR
 - IF THE CARRIER DESCRIBES ITS SERVICE AREA IN ITS INTERSTATE TARIFF, THE CARRIER WOULD NOT BE OBLIGATED TO FILE A FACILITY MAP
- LECs ARE REQUIRED TO PROVIDE FACILITY MAPS IN THEIR SECTION 214 APPLICATIONS WHICH DESCRIBE THEIR VIDEO DIAL TONE FACILITIES.

**COMPETITIVE MARKET AREA
DEMONSTRATION AND
DATA REPORTING REQUIREMENTS**

**USTA PROPOSAL
COLLECTION OF DATA
TO ASSESS THE LEVEL OF COMPETITION**

- OBJECTIVES:
 - SUPPORT THE EVALUATION OF COMPETITION IN A LEC WIRE CENTER(S)
 - EASE OF ADMINISTRATION -- FOR INDUSTRY AND REGULATORS
 - PROVIDE PARITY AMONG TELECOMMUNICATION PROVIDERS
 - REQUIRE NO DISCLOSURE OF COMPETITIVELY SENSITIVE INFORMATION
 - USE EXISTING MECHANISMS WHENEVER POSSIBLE

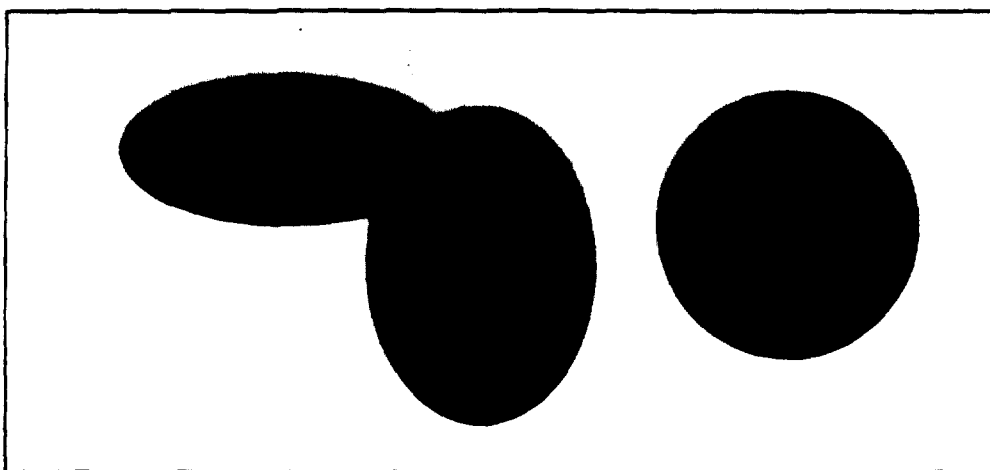
USTA PROPOSAL PROCESS FOR DEMONSTRATING A CMA CLASSIFICATION

- THE FOLLOWING STEPS WOULD ESTABLISH THE PRESENCE OF COMPETITIVE ALTERNATIVES IN WIRE CENTER(S)
 - IDENTIFY AREAS SERVED BY COMPETITIVE NETWORKS
 - FROM FCC REPORTING REQUIREMENTS
 - USING SERVING AREAS PROVIDED BY COMPETITIVE TARIFFS
 - USING COMPETITOR'S FACILITY MAPS
 - FROM OTHER SOURCES
 - LEC MARKET RESEARCH, ETC.
 - IDENTIFY WIRE CENTER DEMAND
 - IDENTIFY PORTION OF LEC DEMAND ADDRESSABLE BY COMPETITORS
 - DETERMINE WHETHER CMA THRESHOLD IS SATISFIED

STEP 1A
IDENTIFY LOCATION OF COMPETITIVE SERVICE AREAS

FROM SERVICE AREA MAPS PROVIDED WITH INTERSTATE COMMON
CARRIER TARIFFS:

LEC WIRE CENTER(S)



AREAS SERVED BY COMPETITORS

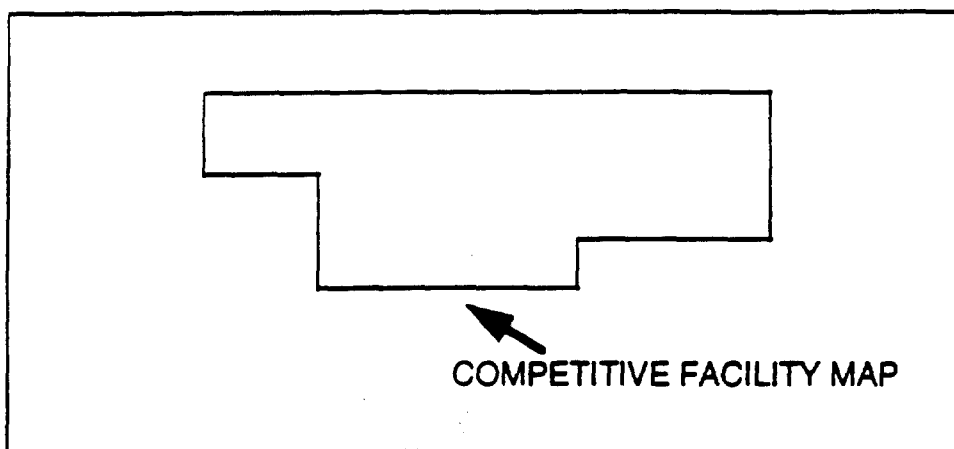


STEP 1B

IDENTIFY LOCATION OF COMPETITIVE SERVICE AREAS

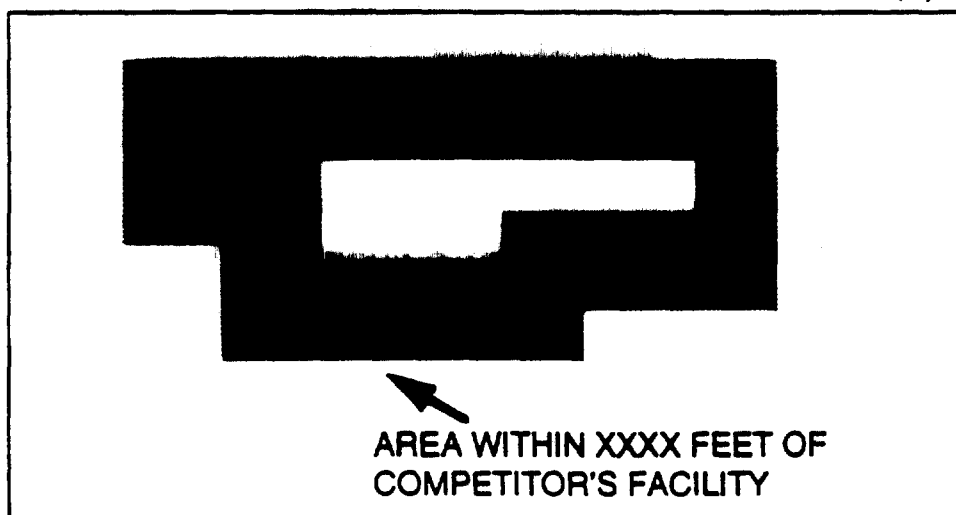
FROM SERVICE AREA MAPS PROVIDED WITH INTERSTATE
COMMON CARRIERS:

LEC WIRE CENTER(S)



LEC ESTIMATES THE AREA ADDRESSABLE BY THE
COMPETITOR'S NETWORK

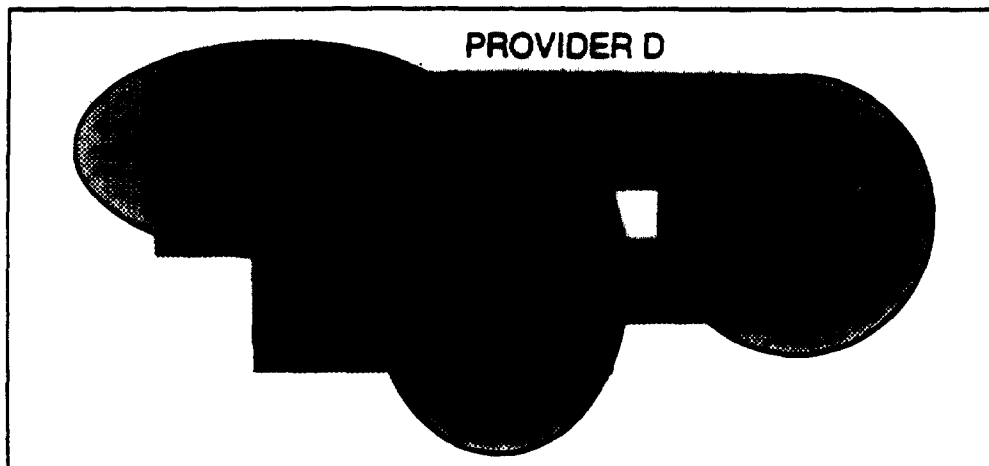
LEC WIRE CENTER(S)



STEP 1C
IDENTIFY LOCATION OF COMPETITIVE SERVICE AREAS

COMBINE SERVICE AREA MAPS PROVIDED WITH INTERSTATE
COMMON CARRIER TARIFFS AND ESTIMATED SERVICE AREAS PER
INTERSTATE COMMON CARRIER FACILITY MAPS:

LEC WIRE CENTER(S)



COMPETITIVE SERVING AREAS
PER INTERSTATE TARIFFS

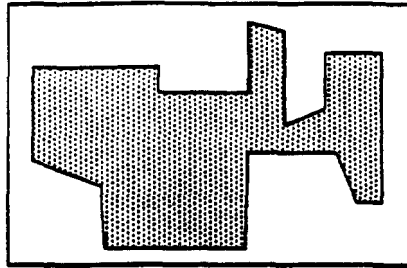


COMPETITIVE SERVING AREAS
PER ESTIMATED FACILITY MAPS



ILLUSTRATIVE CMA SHOWING USING LEC DEMAND

STEP 1 -- IDENTIFY COMPETITIVE SERVING AREAS



STEP 2 -- IDENTIFY LEC WIRE CENTER DEMAND

Originating and Terminating MOU	90,000,000 MOU
<u>DS1 and DS3 -- MOU Equivalent</u>	<u>22,000,000 MOU</u>
Total LEC Wire Center Demand	112,000,000 MOU

STEP 3 -- IDENTIFY PORTION OF WIRE CENTER DEMAND ADDRESSABLE BY COMPETITORS

LEC Demand Addressable by Competitors	33,000,000 MOU
---------------------------------------	----------------

STEP 4 -- DETERMINE IF CMA THRESHOLD IS SATISFIED

$$\frac{\text{LEC Demand Addressable by Competitors}}{\text{[Total LEC Wire Center Demand]}} = \frac{33,000,000 \text{ MOU}}{112,000,000 \text{ MOU}} = 29\%$$

